

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.**AUDIT REPORT****JANUARY 31, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **SEP 12 2012**

Terrie L. Jackson
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Child Development Council of Acadiana, Inc.
Opelousas, Louisiana

We have audited the accompanying statements of financial position of Child Development Council of Acadiana, Inc. (CDCAI) as of January 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Child Development Council of Acadiana, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, CDCAI did not record depreciation for the current year ending January 31, 2012 which is not in accordance with generally accepted accounting principles in the United States of America

In our opinion, except for the effects of not recording depreciation on all assets, the financial statements referred to above present fairly, in all material respects, the financial position of Child Development Council of Acadiana, Inc. as of January 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2012, on our consideration of Child Development Council of Acadiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Further, the supplemental schedules listed on pages 22 – 23 of this report are presented for purposes of additional analysis and are also not a required part of these financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Tom L. Jackson". The signature is fluid and cursive, with the first name "Tom" and last name "Jackson" clearly distinguishable.

Houston, Texas
July 26, 2012

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC

Statements of Financial Position

January 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 402,258	\$ 99,060
Grants receivable	<u>447,974</u>	<u>416,450</u>
	850,232	515,510
 Fixed Assets		
Buildings and improvements	8,795,077	8,795,077
Land	231,500	231,500
Furniture and equipment	1,329,690	1,329,690
Vehicles	2,192,876	2,192,876
Accumulated depreciation	<u>(4,761,870)</u>	<u>(4,761,870)</u>
	7,787,273	7,787,273
 Total Assets	 \$ 8,637,505	 \$ 8,302,783
 Liabilities and net assets:		
Accounts payable and accruals	\$ 893,524	\$ 432,094
Due to Federal Government	1,085,328	1,085,328
Construction payable	95,009	95,364
Bank overdraft	<u>-</u>	<u>48,563</u>
 Total liabilities	 2,073,861	 1,661,350
 Net assets:		
Unrestricted	(449,020)	(305,466)
Temporarily restricted	65,764	-
Permanently restricted	<u>6,946,899</u>	<u>6,946,899</u>
 Total net assets	 6,563,643	 6,641,433
 TOTAL	 <u>\$ 8,637,504</u>	 <u>\$ 8,302,783</u>

See accompanying notes.

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC

Statements of Activities

January 31, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
<u>Revenues, gains, and other support:</u>								
Interest	\$ -	\$ -	\$ -	\$ -	\$ 373	\$ -	\$ -	\$ 373
Head Start Grant	-	6,958,661	-	6,958,661	-	6,559,130	-	6,559,130
Child and Adult Care Food Program	-	642,693	-	642,693	-	635,518	-	635,518
ARRA	-	464,200	-	464,200	-	1,739,490	-	1,739,490
Other	82,420	-	-	82,420	139,269	-	-	139,269
	-	-	-	-	-	-	-	-
	82,420	8,065,554	-	8,147,973	139,642	8,934,138	-	9,073,780
<u>Net assets released from restrictions</u>								
Satisfaction of program restrictions	7,999,790	(7,999,790)	-	-	7,880,531	(7,880,531)	-	-
Satisfaction of renovation/equipment	-	-	-	-	-	(158,279)	158,279	-
Unapproved Building acquisition	-	-	-	-	-	(895,328)	895,328	-
Expirations of time restrictions	-	-	-	-	555,102	-	(555,102)	-
	7,999,790	(7,999,790)	-	-	8,435,633	(8,934,138)	498,505	-
Total unrestricted revenues, gains, and other support	8,082,210	65,764	-	8,147,973	8,575,275	-	498,505	9,073,780
<u>Expenses and losses</u>								
Head Start Program	7,357,097	-	-	7,357,097	7,800,161	-	-	7,800,161
Other General	225,973	-	-	225,973	908,557	-	-	908,557
Child and Adult Care Food Program	642,693	-	-	642,693	635,519	-	-	635,519
Total expenses and losses	8,225,763	-	-	8,225,763	9,344,237	-	-	9,344,237
Changes in net assets	(143,554)	65,764	-	(77,790)	(768,962)	-	498,505	(270,457)
Net assets at beginning of year	(305,466)	-	6,946,899	6,641,433	463,496	-	6,448,394	6,911,890
Net assets at end of year	\$ (449,020)	\$ 65,764	\$ 6,946,899	\$ 6,563,643	\$ (305,466)	\$ -	\$ 6,946,899	\$ 6,641,433

See accompanying notes.

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC
 Statements of Cash Flows
 For the Years Ended January 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities</u>		
Cash received from grants	\$ 8,034,029	\$ 8,994,012
Other income	82,420	139,269
Interest and donations	-	373
Cash paid to employees and suppliers	(7,808,981)	(7,812,432)
Interest expense	(4,271)	-
	<hr/>	<hr/>
Net cash provided (used) by operating activities	303,197	1,321,222
<u>Cash flows from investing activities</u>		
	-	-
Capital expenditures	-	(1,894,027)
Net cash provided (used) by investing activities	-	(1,894,027)
	<hr/>	<hr/>
Net increase (decrease) in cash	303,197	(572,805)
Cash at beginning of year	99,060	671,865
	<hr/>	<hr/>
Cash at end of year	\$ 402,257	\$ 99,060
<u>Reconciliation of change in net cash to net cash provided (used) by operating activities:</u>		
Change in net assets	\$ (77,790)	\$ (270,457)
Adjustments		
Net cash used by operating activities.		
Depreciation	-	555,102
Change in receivable	(31,524)	59,924
Change in accounts payable	412,511	976,656
	<hr/>	<hr/>
Net cash provided (used) by operating activities	\$ 303,197	\$ 1,321,225

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC
STATEMENTS OF FUNCTIONAL EXPENSES
JANUARY 31, 2012

	HEAD START	EARLY HEAD START	ARRA	CACFP	GENERAL	FIXED ASSETS	2012 TOTAL
Personnel	\$ 3,564,255	\$ 795,888	330,313	\$ 258,623	\$ 188,863	\$ -	\$ 5,137,943
Fringe benefits	750,095	35,124	20,218	5,086	-	-	810,522
Travel and training	278,343	1,373	1,236	-	-	-	280,951
Professional & contractual	-	3,600	-	-	-	-	3,600
Supplies and postage	227,056	173,814	28,932	-	-	-	429,803
Space costs	348,716	43,318	5,659	1,127	-	-	398,820
Insurance	128,280	8,746	-	-	-	-	137,026
Food and supplies	282,130	851	33	377,856	-	-	660,870
Other child services	193,735	270	-	-	32,839	-	226,845
Parent activities	4,346	149	66	-	-	-	4,561
Maintenance	-	-	-	-	-	-	-
Staff development	-	-	-	-	-	-	-
Training & technical assistance	46,400	7,607	11,980	-	-	-	65,987
Renovations & maintenance	-	-	-	-	-	-	-
Transition activities	12,933	-	-	-	-	-	12,933
Contingent assessment	-	-	-	-	-	-	-
Interest expense	-	-	-	-	4,271	-	4,271
Inspection/licenses	51,632	-	-	-	-	-	51,632
	5,887,920	1,070,742	398,436	642,692	225,973	-	8,225,763
Depreciation	-	-	-	-	-	-	-
TOTAL	\$ 5,887,920	\$ 1,070,742	\$ 398,436	\$ 642,692	\$ 225,973	\$ -	\$ 8,225,763

	EARLY	06SE0439/01	06SA0439/01	EHS	ARRA	EXPANSION	CACFP	GENERAL	FIXED	2011		
	HEAD	START	ARRA	ARRA	EHS	ARRA	EXPANSION	CACFP	GENERAL	ASSETS	TOTAL	
	START	\$	3,482,633	\$	364,225	230,824	\$	457,296	\$	178,313	\$	5,004,979
Personnel	746,887	24,294	23,175	21,088	45	-	-	-	-	-	815,489	
Fringe benefits	154,230	850	-	49,865	-	-	-	-	-	-	204,945	
Travel and training	86,948	10,333	-	8,333	-	-	-	-	-	-	105,614	
Professional & contractual	144,823	48,483	-	8,208	-	-	-	-	13,229	-	214,743	
Supplies and postage	126,274	31,027	-	184,958	141,965	-	-	-	-	-	484,224	
Space costs	139,792	8,400	-	5,600	-	-	-	-	-	-	153,792	
Insurance	162,229	935	-	535	-	-	-	342,925	-	-	506,624	
Food and supplies	11,805	-	-	11,481	-	-	-	862	-	-	24,148	
Other child services	34,672	691	-	855	-	-	-	-	-	-	36,217	
Parent activities	-	-	-	10,072	-	-	-	-	-	-	10,072	
Maintenance	86,947	-	-	49,210	-	-	-	-	-	-	136,157	
Staff development	40,352	16,326	-	-	-	-	-	-	-	-	56,679	
Training & technical assistance	92,320	-	-	-	-	-	-	-	-	-	92,320	
Renovations & maintenance	12,456	-	-	-	-	-	-	-	-	-	12,456	
Transition activities	-	-	-	-	-	-	-	-	895,328	-	895,328	
Contingent assessment	35,348	-	-	-	-	-	-	-	-	-	35,348	
Inspection/licenses	5,357,717	505,563	253,999	807,501	320,278	635,519	908,557	-	-	-	8,789,134	
Depreciation	555,102	-	-	-	-	-	-	-	-	-	555,102	
TOTAL	5,912,819	\$ 505,563	\$ 253,999	\$ 807,501	\$ 320,278	\$ 635,519	\$ 908,557	\$ -	\$ -	\$ -	\$ 9,344,236	

**CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Program Description -

The Child Development Council of Acadiana, Inc. was incorporated by the laws of the State of Louisiana. Specifically, the corporation is organized to:

- A. be supportive of the general goals and objectives of Early Childhood Development Programs in St. Landry Parish,
- B. act as a catalyst in increasing volunteer services to these programs,
- C. be an information and referral source to families needing services, and
- D. have such powers as are provided by the Act to carry out the objectives herein described.

CDCAI's operations are segregated into general grant programs as follows: Head Start Program provides educational and support services to low-income and disabled children three to five years of age and children who have not reached the compensatory school age. Early Head Start Program provides the same services to children zero to three years of age. CDCAI operates Head Start and Early Head Start centers in St. Landry Parish. The goal of the program is to bring about a greater depth of social competence in children by considering the total development of the child.

Health, Mental Health, Nutrition, Education and Parent Involvement Services enable a child to function at an optimum level in their environment.

Reporting Entity - The governing body of CDCAI is its Board of Directors. The Board appoints an Executive Director to administer the affairs of CDCAI. CDCAI is not considered a component of the city, parish or any governmental body. The governing board independently oversees CDCAI's operations.

- 1) The accompanying financial statements include all of the organization's programs, activities and functions of CDCAI for which the Board has oversight responsibility, except as described in the following paragraph. Such oversight responsibilities include designation of management, the ability to significantly influence operations, accountability for fiscal matters, and the scope of public services.
- 2) The equipment is owned by CDCAI while used in the program for which it was purchased or in other future authorized programs. The funding sources, however, have a reversionary

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2012

(Continued)

interest in the equipment purchased with grant funds, before its disposition, as well as the ownership of any sale proceeds therefrom is subject to funding source regulations.

NOTE 2: BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. CDCAI uses the accrual basis of accounting.

Financial Statement Presentation – The financial statements are presented as recommended by Financial Accounting Standards Board’s Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 requires the agency to report information regarding its financial position and activities into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Grant revenues (Grants and Governmental reimbursements) are recognized using the legal and contractual requirements of the Agency’s programs as guidance. Grant revenues (where funds must be expended for specific purposes prior to amount being reimbursed to the Agency) are recognized based on expenditures recorded.

CDCAI reports grants and gifts of cash and other assets as restricted support if they are received with donor or grant stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations – Contributed materials and donated facilities are recognized as contributions at fair market value. Related expenses are recognized as the items are used.

CDCAI recognizes depreciation on its fixed assets in accordance with generally accepted accounting principles. The Federal Grantor retains a reversionary interest in all fixed assets acquired with funds provided. These assets are accounted for as being permanently restricted.

Fixed assets are stated at cost and have estimated useful lives as follows:

<u>Fixed Asset</u>	<u>Useful Life</u>	<u>Method</u>
Buildings/improvements	20-30 years	Straight-line
Buses	10 years	Straight-line
Vehicles	5 years	Straight-line
Equipment	5 years	Straight-line

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2012

(Continued)

No depreciation has been recorded for the year ended January 31, 2012. This is not in accordance with generally accepted accounting principles.

Income Taxes – CDCAI is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as a private corporation. Income from certain activities not directly related to CDCAI's tax-exempt purpose is subject to taxation as unrelated business income. CDCAI had no such income during the audit period.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, CDCAI considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. CDCAI had no cash equivalents at January 31, 2012 and 2011.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 3: PROGRAM EXPENSES

Net assets were released from grantor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by funding sources.

Purpose restrictions accomplished	
Head Start Program	\$6,958,661
ARRA HS/EHS	398,436
Child & Adult Care Food Program	<u>642,693</u>
Total	\$7,999,790

NOTE 4: LEASE COMMITMENTS

CDCAI leases its administrative offices and classrooms under operating leases. The rental cost for the period ending January 31, 2012 and 2011 was \$25,200 and \$25,200 respectively.

**CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2012**

(Continued)

NOTE 5: BANK OVERDRAFTS

Bank overdrafts represent a negative book balance or the result of a bank balance on checks written against the account whereas there were not enough funds in the account to cover the checks. This is paramount to a liability and the accounts were reclassified to reflect the situation.

Bank Overdrafts

	<u>2012</u>	<u>2011</u>
<u>Account Name</u>	<u>Amount</u>	<u>Amount</u>
Head Start Account	\$ -	\$ 48,563
Payroll Account	-	-
Total Bank Overdrafts	\$ -	\$ 48,563

NOTE 6: GRANTS RECEIVABLE

Grants Receivable represent the following:

	<u>2012</u>	<u>2011</u>
<u>Grants Receivable</u>	<u>Amount</u>	<u>Amount</u>
Department of HHS	\$ 375,661	\$ 300,130
Child and Adult Care Food	72,313	116,320
Total Grants Receivable	\$ 447,974	\$ 416,450

NOTE 7: CASH BALANCES

	<u>2012</u>	<u>2011</u>
<u>Schedule of Cash Balances</u>	<u>Amount</u>	<u>Amount</u>
General Cash	\$ -	\$ 66
Local	79,807	34,852
SW Child Fund	-	-
Student Fund	-	-
Head Start	216,532	-
CACFP	105,919	64,142
Total Cash at End of Year	\$ 402,258	\$ 99,060

NOTE 8: DUE TO FEDERAL GOVERNMENT

	<u>2012</u>	<u>2011</u>
<u>Due to Federal Government</u>	<u>Amount</u>	<u>Amount</u>
Unauthorized Head Start Expenses	\$ 1,085,328	\$ 1,085,328
Total Due to Federal Government	\$ 1,085,328	\$ 1,085,328

**CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2012**

(Continued)

NOTE 9: CONCENTRATION OF CREDIT RISK

CDCAI received over 98% of its funding from Federal and State grants with the Head Start program providing over 92% of all grant revenues.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of January 31, 2012, CDCAI had no significant concentrations of credit risk in relation to grant receivables.

NOTE 10: SUBSEQUENT EVENTS – SATISFACTION OF REFUND TO FEDERAL GOVERNMENT

Subsequent events were evaluated through July 26, 2012, the date that the financial statements were available to be issued. The Agency recorded a liability in the amount of \$1,085,328.00 as being owed to the Department of Health and Human Services (HHS). In lieu of cash payment, the Agency transferred by a Deed of Ownership 54.7% ownership of the 9,000 square foot facility to HHS on or about July 26, 2012 (subsequent to the date of the financial statements). The 54.7% represents the percentage of HHS funds (the numerator) used to construct the facility.

The Deed stipulates that the Agency cannot sell, lease or rent the facility to anyone else without express written permission of HHS. The Agency also agrees to not sell or use the facility for collateral to obtain loans and/or for any purpose without express written permission of the approving official of HHS.

The Agency has exclusive partial ownership along with HHS of the facility. The facility shall be used by the Agency to carry out Head Start Program activities and services.

SUPPLEMENTAL INFORMATION

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC
Schedule of Expenditures of Federal Awards
For the year ended January 31, 2012

Federal Grantor/Pass through Grantor/ Program Title	Grant Period	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Head Start Program	2/1/11 - 1/31/12	93 600	06CH0439/17	\$ 6,958,661
American Recovery and Reinvestment Act	9/30/10 - 9/29/11	93.709	06SA0439/02	398,436
U S DEPARTMENT OF AGRICULTURE				
Child and Adult Care Food Program	2/1/11 - 1/31/12	10 558	Unknown	642,693
Total				\$ 7,999,790

RECONCILIATION OF FINANCIAL EXPENSES TO FEDERAL AWARDS SCHEDULE

TOTAL EXPENSES	8,225,763
Less	
General Expenses	(225,973)
Depreciation	-
Plus Fixed Asset Acquisitions	-
Federal Expenditures	\$ 7,999,790

Child Development Council of Acadiana, Inc.
Notes to Schedule of Expenditures of Federal Awards
January 31, 2012

Basis of Presentation – Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of Child Development Council of Acadiana, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Child Development Council of Acadiana, Inc. It is not intended to and does not present the financial position, changes in net assets or cash flows of Child Development Council of Acadiana, Inc.

CDCAI is able to reconcile the amounts on the accompanying schedule of expenditures of federal awards to those on the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Child Development Council of Acadiana, Inc.
Opelousas, Louisiana

We have audited the financial statements of Child Development Council of Acadiana, Inc. (CDCAI) as of and for the year ended January 31, 2012, and have issued our report thereon dated July 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Child Development Council of Acadiana, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CDCAI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CDCAI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CDCAI's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or


material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CDCAI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012 – 1 (B).

Child Development Council of Acadiana, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit CDCAI's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Houston, Texas
July 26, 2012

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Child Development Council of Acadiana, Inc.
Opelousas, Louisiana

Compliance

We have audited Child Development Council of Acadiana, Inc.'s (CDCAI's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CDCAI's major federal programs for the year ended January 31, 2012. Child Development Council of Acadiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CDCAI's management. Our responsibility is to express an opinion on CDCAI's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CDCAI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CDCAI's compliance those requirements.

In our opinion, CDCAI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2012.

Internal Control Over Compliance

Management of CDCAI is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CDCAI's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CDCAI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Houston, Texas

July 26, 2012

Child Development Council of Acadiana, Inc.
Summary Schedule of Prior Audit Findings
January 31, 2012

Finding 2011 – 3 (B) Erroneous Cost Classification

Condition: CDCAI initially recorded construction cost as repairs and maintenance which is an expense category.

Status: Condition no longer exists.

Finding 2011 – 1 (C) Late Submission of Audit Report

Condition. The audit report for the year ended January 31, 2011 was not submitted within six months of year end to the Louisiana Legislative Auditor's as required by state law.

Status: Condition does not exist for the year ended January 31, 2012. Audit submitted timely.

Finding 2011 – 2 (C) Prior Approval Not Obtained for Building Construction

Condition: CDCAI did not obtain prior approval to procure or construct its administrative office. The federal funding agency declined retroactive approval for this construction which resulted in questioned costs of \$1,085,328.47.

Status: CDCAI recorded a liability in the amount of \$1,085,328.47 due to the Department of Health and Human Services. In lieu of cash payment, the Agency transferred by a Deed of Ownership 54.7% ownership in its administrative office to HHS subsequent to the date of the financial statements. CDCAI has constructively satisfied the questioned costs.

Finding 2011 – 3 (C) Erroneous Cost Classification

Condition: CDCAI initially recorded construction cost as repairs and maintenance which is an expense category.

Status: Condition no longer exists.

**CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2012**

A. Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued. Qualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major programs.
Unqualified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA Numbers

93 600, 93 709 (Head Start Cluster)

10 558 (Child & Adult Care Food Program)

Dollar threshold used to distinguish between type A and type B
programs \$300,000

Auditee-qualified as low-risk auditee? No

**CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2012**

(Continued)

B. Section II – Financial Statement Findings

Finding	Questioned Costs
2012 – 1 (B) <u>Departure from Generally Accepted Accounting Principles (GAAP)</u>	
Department of Health & Human Services	
Head Start Cluster – CFDA No. 93.600, 93.709	
<i>Condition:</i> Child Development Council of Acadiana, Inc. did not record depreciation for the year ended January 31, 2012.	
<i>Criteria.</i> Louisiana Revised Statute (R.S.) 24:513 and 24.514 requires agencies that report to the Louisiana Legislative Auditor to provide financial statements that comply with generally accepted accounting principles	
<i>Effect:</i> Failure to record depreciation rendered the statement of position to not be in accordance with generally accepted accounting principles	
<i>Cause.</i> Grantee decided to omit depreciation	
<i>Recommendation:</i> We recommend that CDCAI record depreciation as required by state statute and generally accepted accounting principles	
<i>Response:</i> CDCAI will record depreciation as required in the future	

C. Section III – Federal Award Findings and Questioned Costs

None reported.

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC

Combining Statements of Financial Position

January 31, 2012 and 2011

	HEAD START	ARRA	GENERAL	CACFP	SW CHILD FUND	LOCAL FUND	STUDENT FUND	FIXED ASSET	2012	2011
Assets:										
Current Assets										
Cash and cash equivalents	\$ 150,768	\$ 65,764	\$ -	\$ 105,919	\$ -	\$ 79,807	\$ -	\$ -	\$ 402,258	\$ 99,060
Grants receivable	375,661	-	-	72,313	-	-	-	-	447,974	416,450
Total	526,429	65,764	-	178,232	-	79,807	-	-	850,232	515,510
Fixed Assets										
Buildings and improvements	-	-	-	-	-	840,374	-	7,954,703	8,795,077	8,795,077
Land	-	-	-	-	-	-	-	231,500	231,500	231,500
Furniture and equipment	-	-	-	-	-	-	-	1,329,690	1,329,690	1,329,690
Vehicles	-	-	-	-	-	-	-	2,192,876	2,192,876	2,192,876
Accumulated depreciation	-	-	-	-	-	-	-	(4,761,870)	(4,761,870)	(4,761,870)
Total	-	-	-	-	-	840,374	-	6,946,899	7,787,273	7,787,273
TOTAL	\$ 526,429	\$ 65,764	\$ -	\$ 178,232	\$ -	\$ 920,181	\$ -	\$ 6,946,899	\$ 8,637,505	\$ 8,302,783
Liabilities and net assets:										
Accounts payable and accruals	526,429	-	188,863	178,232	-	-	-	-	893,524	\$ 432,094
Refund to Federal Government	-	-	1,085,328	-	-	-	-	-	1,085,328	1,085,328
Construction Payable	-	-	-	-	-	95,009	-	-	95,009	95,364
Bank overdrafts	-	-	-	-	-	-	-	-	-	48,563
Total	526,429	-	1,274,191	178,232	-	95,009	-	-	2,073,861	1,661,350
								(133,450)		
Net assets:										
Unrestricted	-	-	(1,274,191)	-	-	825,172	-	-	(449,020)	(305,466)
Temporarily restricted	0	65,764	-	(0)	-	-	-	-	65,764	-
Permanently restricted	-	-	-	-	-	-	-	6,946,899	6,946,899	6,946,899
Total	0	65,764	(1,274,191)	(0)	-	825,172	-	6,946,899	6,563,644	6,641,433
TOTAL	\$ 526,429	\$ 65,764	\$ -	\$ 178,232	\$ -	\$ 920,181	\$ -	\$ 6,946,899	\$ 8,637,505	\$ 8,302,783

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC

Combining Statements of Activities

January 31, 2012 and 2011

	HEAD START	ARRA	CACFP	SW CHILD FUND	LOCAL FUND	GENERAL	STUDENT FUND	FIXED ASSET	2012	2011
REVENUES										
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373
Head Start Grant	6,958,661	-	-	-	-	-	-	-	6,958,661	6,559,130
CACFP	-	-	642,693	-	-	-	-	-	642,693	635,518
ARRA	-	464,200	-	-	-	-	-	-	464,200	1,739,490
Other	-	-	-	-	82,420	-	-	-	82,420	139,269
Donations	-	-	-	-	-	-	-	-	-	-
Total	6,958,661	464,200	642,693	-	82,420	-	-	-	8,147,973	9,073,780
Head Start	5,887,920	398,436	-	-	-	-	-	-	6,286,356	7,294,596
Early Head Start	1,070,742	-	-	-	-	-	-	-	1,070,742	505,563
General	-	-	-	-	37,110	188,863	-	-	225,973	908,557
CACFP	-	-	642,692	-	-	-	-	-	642,692	635,519
Total	6,958,661	398,436	642,692	-	37,110	188,863	-	-	8,225,763	9,344,235
Change in Net Assets	\$ (0)	\$ 65,764	\$ 0	\$ -	\$ 45,309	\$ (188,863)	\$ -	\$ -	\$ (77,790)	\$ (270,455)
Beginning Net Assets	(1)	-	(1)	-	779,862	(1,085,328)	-	6,946,899	6,641,431	6,911,888
Transfer In	-	-	-	-	-	-	-	-	-	1,304,159
Transfer Out	-	-	-	-	-	-	-	-	-	(1,304,160)
Net Assets										
Unrestricted	-	-	-	-	825,171	(1,274,191)	-	-	(449,020)	(305,466)
Temporarily restricted	-	65,764	(1)	-	-	-	-	-	65,763	(1)
Permanently restricted	(1)	-	-	-	-	-	-	6,946,899	6,946,898	6,946,899
Total Net Assets	\$ (1)	\$ 65,764	\$ (1)	\$ -	\$ 825,171	\$ (1,274,191)	\$ -	\$ 6,946,899	\$ 6,563,641	\$ 6,641,432

**CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JANUARY 31, 2012**

2012 – 1 (B) Departure from Generally Accepted Accounting Principles

Child Development Council of Acadiana, Inc. will record depreciation